

WORKERS' COMPENSATION INSURANCE RATING BUREAU

of California

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ROBERT G. MIKE
President

September 22, 2004

Mr. Tom Rankin
Chair
Commission on Health and Safety and Workers' Compensation
455 Golden Gate Avenue, 10th Floor
San Francisco, CA 94102

Subject: CHSWC Activities

Dear Mr. Rankin:

I am responding to your letter of September 17, 2004 requesting information as to projects and activities in which the WCIRB has worked with the Commission on Health and Safety and Workers' Compensation (CHSWC) or in which CHSWC Reports have been used by the WCIRB in its ratemaking activities.

As you are aware, the WCIRB has worked cooperatively with the CHSWC on a number of studies. In some instances, WCIRB information was provided to the CHSWC for use in CHSWC research. In other instances, CHSWC information or technical assistance was provided to the WCIRB. Many of these projects and studies have provided valuable support to the WCIRB in fulfilling its statutory pure premium ratemaking responsibilities. These include the following:

1. **CHSWC Study on Primary Treating Physician Presumption.** The CHSWC study on the impact of the primary treating physician presumption, which was completed by the UC Survey/Data Research Center in December of 2003, was used by the WCIRB to help explain the rapid growth in medical costs that began in the late 1990's. In addition, the findings of the study were considered by the WCIRB in conjunction with other information to assess the financial impact of the partial repeal of the primary treating physician presumption enacted in Assembly Bill No. 749 (AB 749).
2. **Joint CHSWC/WCIRB Study on the Benefit Utilization.** In 2001 the CHSWC and WCIRB jointly sponsored a UC Berkeley study on the impact of statutory benefit changes on benefit utilization. A final draft of the results of the UC Berkeley study was presented to the WCIRB Actuarial Committee in December of 2001. The results of the study, while not used directly in the WCIRB's ratemaking methodology, did provide the WCIRB valuable information on understanding the impact of benefit changes on claim frequency and claim severity.

3. **Study on Outpatient Costs.** The CHSWC study on outpatient costs completed by Kominski and Gardner in December 2001 was used by the WCIRB to help explain recent medical cost trends as well as in the WCIRB's cost evaluation of the Senate Bill No. 228 (SB 228) changes related to outpatient facility fees that was completed in November of 2003.
4. **Study on Pharmaceuticals.** The CHSWC study on pharmaceutical costs completed by Neuhauser, Swedlow, Gardner, and Edelstein in June of 2001 was used by the WCIRB to help explain recent medical cost trends as well as in the WCIRB's cost evaluation of the SB 228 changes related to pharmaceuticals that was completed in November of 2003.
5. **Study of Fee Schedules.** The CHSWC study on fee schedules, completed by the RAND Corporation in June of 2003, summarized the role of fee schedules in cost control and provided information used in the WCIRB's cost evaluation of the inpatient fee schedule changes included in SB 228 that was completed in November of 2003.
6. **RAND Studies of Permanent Disability.** RAND has completed a number of studies for the CHSWC related to the permanent disability system in California. The latest study was an interim report published in December of 2003, while earlier reports were completed in 1997, 1998, 2000, and 2001. These reports have provided significant information on permanent disability and data from the studies related to return-to-work has been used by the WCIRB in the cost evaluations of Assembly Bill No. 227 (AB 227) and SB 228 completed in November of 2003 and in the cost evaluation of Senate Bill No. 899 (SB 899) completed in May of 2004.
7. **CHSWC Injured Worker Survey.** The WCIRB used information related to offers of return to work, provided by the CHSWC from its injured worker survey, in the cost evaluation of AB 227 and SB 228 completed in November of 2003 and in the cost evaluation of SB 899 completed in May of 2004.
8. **CHSWC Reports to the Legislature on Costs.** The CHSWC has provided reports to the legislature on the potential cost impact of AB 227 and SB 228 in December of 2003 and on the potential cost impact of SB 899 in April of 2004 (draft analysis). In evaluating the cost impact of SB 899, the WCIRB reviewed the CHSWC report on a number of SB 899 provisions including those related to apportionment, medical-legal, Section 5814 penalties, medical utilization and the employer's liability for immediate medical care.
9. **CHSWC Report on Insurance Market.** The Hayes Group prepared a report on the Insurance Market on behalf of the CHSWC in September of 2003. While not directly relevant to WCIRB pure premium ratemaking activities, the report was provided to WCIRB committees and contains extensive information on the insurance market.

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10. **WCIRB Special Committees.** CHSWC staff and consultants have participated and provided valuable input through a number of special WCIRB multi-discipline committees related to legislative and regulatory changes and other issues including evaluating the cost impact of changes related to the permanent disability fee schedule (1997), medical fee schedules (1998 and 1999), medical cost containment (2001), AB 749 (2002), AB 227 (2003), SB 228 (2003), and SB 899 (2004).

Sincerely,

ROBERT G. MIKE
President

Cc: Ms. Christine Baker (CHSWC)
Mr. Dave Bellusci (WCIRB)

RGM:meg
Enclosures